

**WEST MILLARD MOSQUITO
ABATEMENT DISTRICT,
INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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INDEPENDENT AUDITORS' REPORT

June 30, 2006

West Millard Mosquito Abatement District
2175 West 7000 North
Delta, UT 84624

I have audited the accompanying financial statements of the governmental activities of West Millard Mosquito Abatement District (herein referred to as the "District"), as of and for the year ended December 31, 2005, which collectively comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District, as of December 31, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 30, 2006, on my consideration of District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis on pages 3 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Kedric M. Black, CPA

Kedric M. Black, CPA

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the West Millard Mosquito Abatement District (WMMAD), we offer readers of the WMMAD's financial statements this narrative overview and analysis of the financial activities of the WMMAD for the fiscal year ended December 31, 2005.

Financial Highlights

- The assets of the WMMAD decreased by \$ (4,360) over the previous year. This decrease is \$90,439 less than the previous years decrease due a decrease in chemical expenditures and wages as environmental conditions were more favorable in helping the District to control the mosquito population and the spread of the West Nile Virus.
- As of the close of the current fiscal year, the WMMAD's governmental funds reported combined ending fund balances of \$ 580,583 which is a decrease of \$ (4,865) in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the WMMAD's basic financial statements. The WMMAD's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the WMMAD's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the WMMAD's assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the WMMAD's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activities of the WMMAD is to promote and provide safe and effective mosquito control to the taxpayers we serve.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The WMMAD, like other

state and local government units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The WMMAD adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the Financial Statement

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the WMMAD, assets exceed liabilities by \$ 659,343 at the close of the most recent fiscal year. By far the largest portion of the WMMAD's net assets reflects its investment in capital assets (e.g., land, buildings, chemicals, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The only outstanding debt that the WMMAD has as of December 31, 2005 is \$ 2,033 which is for payroll taxes that are due by the 31st of January 2006. The WMMAD uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

WMMAD's Net Assets

	<u>2004</u>	<u>2005</u>
Current and Other Assets	\$ 586,977	\$ 582,616
Capital Assets	<u>99,615</u>	<u>78,760</u>
Total Assets	<u>686,592</u>	<u>661,376</u>
Long-term Liabilities	-	-
Other Liabilities	<u>1,529</u>	<u>2,033</u>
Total Liabilities	<u>1,529</u>	<u>2,033</u>
Net Assets		
Invested in capital assets, net of related debt	99,615	78,760
Unrestricted	<u>585,448</u>	<u>580,583</u>
Total Net Assets	\$ <u>685,063</u>	\$ <u>659,343</u>

At the end of the current fiscal year, the WMMAD is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year as well.

Governmental Activities

For the most part, increases in expenses for 2004 closely paralleled the District's efforts to control the spread of West Nile Virus and the subsequent health risk to the general public. For the year ended 2005 more favorable environmental conditions helped the District to control the mosquito population with fewer chemicals.

WMMAD's Change in Net Assets

	<u>2004</u>	<u>2005</u>
General Revenues		
Property Taxes	\$ 250,574	\$ 251,582
Investment Earnings	6,207	10,192
Miscellaneous	<u>67</u>	<u>-</u>
Total General Revenues	<u>256,848</u>	<u>261,774</u>
Governmental Activities Expenses:		
General Government	<u>351,647</u>	<u>287,494</u>
Change in Net Assets	(94,799)	(25,720)
Net Assets Beginning of Year (Restated)	801,745	685,063
Prior Period Adjustment	<u>(21,883)</u>	<u>-</u>
Net Assets End of Year	<u>\$ 685,063</u>	<u>\$ 659,343</u>

Financial Analysis of the Government's Funds

As noted earlier, the WMMAD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the WMMAD's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the WMMAD's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the WMMAD's funds reported combined ending fund balances of \$ 580,583, a decrease of \$ (4,865) in comparison with the prior year. Of this total amount, \$ 260,262 constitutes unreserved fund balance, which is available for spending at the WMMAD's discretion. The unreserved fund balance is the general fund and is the operating fund of the WMMAD. The remainder of the combined fund balance is reserved for chemical inventory and the capital projects fund.

Requests for Information

This financial report is designed to provide a general overview of the WMMAD's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the West Millard Mosquito Abatement District, 2175 West 7000 North, Delta, Utah 84624.

WEST MILLARD MOSQUITO ABATEMENT DISTRICT
Statement of Net Assets
December 31, 2005

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 227,495
Investments	320,321
Accounts Receivable:	
Property Taxes	9,051
Inventory	25,749
Capital Assets (Net of Accumulated Depreciation)	
Buildings and Improvements	52,497
Machinery and Equipment	<u>26,263</u>
 Total Assets	 <u>661,376</u>
 Liabilities	
Accrued Liabilities	<u>2,033</u>
 Total Liabilities	 <u>2,033</u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	78,760
Unrestricted	<u>580,583</u>
 Total Net Assets	 <u><u>\$ 659,343</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement

WEST MILLARD MOSQUITO ABATEMENT DISTRICT
Statement of Activities
For the Year Ended December 31, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	
Primary Government					Primary Government Governmental Activities
Governmental Activities:					
General Government	\$ 287,494	\$ -	\$ -	\$ -	\$ (287,494)
Capital Projects	-	-	-	-	-
Total Primary Government	\$ 287,494	\$ -	\$ -	\$ -	(287,494)
General Revenues					
Taxes:					
Property Taxes					251,582
Investment Earnings					10,192
Total General Revenues and Transfers					261,774
Change in Net Assets					(25,720)
Net Assets Beginning of Year					685,063
Net Assets End of Year					\$ 659,343

The Notes to the Financial Statements are an Integral Part of this Statement.

WEST MILLARD MOSQUITO ABATEMENT DISTRICT
Balance Sheet
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 227,495	\$ -	\$ 227,495
Investments	-	320,321	320,321
Accounts Receivable:			
Property Taxes	9,051	-	9,051
Inventory	25,749	-	25,749
Total Assets	<u>\$ 262,295</u>	<u>\$ 320,321</u>	<u>\$ 582,616</u>
Liabilities			
Accrued Liabilities	<u>\$ 2,033</u>	<u>\$ -</u>	<u>\$ 2,033</u>
Total Liabilities	<u>2,033</u>	<u>-</u>	<u>2,033</u>
Fund Balances			
Reserved for:			
Capital Projects		320,321	320,321
Unreserved:			
Unreserved, Reported in:			
General Fund	260,262		260,262
Total Fund Balances	<u>260,262</u>	<u>320,321</u>	<u>580,583</u>
Total Liabilities and Fund Balances	<u>\$ 262,295</u>	<u>\$ 320,321</u>	<u>\$ 582,616</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

WEST MILLARD MOSQUITO ABATEMENT DISTRICT
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2005

Total Governmental Funds Balances	\$ 580,583
Amounts reported for governmental activities in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>78,760</u>
Net Assets of Governmental Activities	<u>\$ 659,343</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

WEST MILLARD MOSQUITO ABATEMENT DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes:			
Property Taxes	\$ 251,582	\$ -	\$ 251,582
Interest	1,058	9,134	10,192
Total Revenues	<u>252,640</u>	<u>9,134</u>	<u>261,774</u>
Expenditures			
Current:			
General Government	<u>266,639</u>	-	<u>266,639</u>
Total Expenditures	<u>266,639</u>	-	<u>266,639</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(13,999)</u>	<u>9,134</u>	<u>(4,865)</u>
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(13,999)	9,134	(4,865)
Fund Balances (Deficits) Beginning of Year	<u>274,261</u>	<u>311,187</u>	<u>585,448</u>
Fund Balances (Deficits) End of Year	<u>\$ 260,262</u>	<u>\$ 320,321</u>	<u>\$ 580,583</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

WEST MILLARD MOSQUITO ABATEMENT DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ (4,865)
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**Amounts reported for governmental activities in the
statement of activities are different because:**

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. This is the amount by which capital
outlays exceeded depreciation in the current period.

<u>(20,855)</u>

Change in Net Assets of Governmental Activities
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<u><u>\$ (25,720)</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

WEST MILLARD MOSQUITO ABATEMENT DISTRICT
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	
Revenues			
Taxes:			
Property Taxes	\$ 245,000	\$ 245,000	\$ 251,582
Interest	1,000	1,000	1,058
			58
Total Revenues	<u>246,000</u>	<u>246,000</u>	<u>252,640</u>
			6,640
Expenditures			
Current:			
General Government:			
General and Administrative	123,700	123,700	110,117
Contractual Services	18,000	18,000	10,295
Materials and Supplies	157,000	157,000	146,200
Other	-	-	27
Total General Government	<u>298,700</u>	<u>298,700</u>	<u>266,639</u>
			32,061
Excess of Revenues Over (Under) Expenditures	<u>(52,700)</u>	<u>(52,700)</u>	<u>(13,999)</u>
			38,701
Other Financing Sources (Uses)			
Transfers In	52,700	52,700	-
Transfers Out	-	-	-
			(52,700)
Total Other Financing Sources (Uses)	<u>52,700</u>	<u>52,700</u>	<u>-</u>
			(52,700)
Net Change in Fund Balance	-	-	(13,999)
			(13,999)
Fund Balance Beginning of Year	<u>274,261</u>	<u>274,261</u>	<u>274,261</u>
			-
Fund Balance End of Year	<u>\$ 274,261</u>	<u>\$ 274,261</u>	<u>\$ 260,262</u>
			\$ (13,999)

The Notes to the Financial Statements are an Integral Part of this Statement.

**WEST MILLARD MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**WEST MILLARD MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

The District was created on July 5, 1961, as a special service district by the Board of Millard County Commissioners pursuant to the terms and provisions of Title 11, Chapter 23, Utah Code Annotated, 1953, as amended on September 16, 1987. The primary purpose of the District is the control of mosquitoes throughout its boundaries.

The District follows the definition criteria of GASB to establish its reporting entity. Oversight responsibility is the primary criteria used. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

There are no component units included in this report nor is the District a component unit of any other government.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no Business-type activities.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within

**WEST MILLARD MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

Major and Nonmajor Funds

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
Major:	
General	See above for description.
Capital Project Fund	See above for description.
Nonmajor:	
None	

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**WEST MILLARD MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**WEST MILLARD MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "Cash and Cash Equivalents" includes all demand, savings accounts, and certificates of deposits of the District.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 3.A.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. No allowance for uncollectible accounts receivable was considered necessary.

In the fund financial statements, material receivables in the governmental funds include revenue accruals such as property tax and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. No allowances for uncollectible accounts receivable was considered necessary.

Inventories

The District maintains a chemical inventory balance in its general fund. All inventory is valued at the lower of cost (first-in, first-out) or market.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

**WEST MILLARD MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Description	Governmental Activities Estimated Lives
Buildings and Improvements	30 years
Machinery and Equipment	5 to 15 years
Vehicles	5 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Property taxes are based on the assessments against property owners. Tax levies on such assessed values are certified to the County prior to the commencement of the fiscal year. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30 of each year. Property taxes are collected by the Millard County Treasurer and remitted to the District shortly after collection. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of

**WEST MILLARD MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

year-end. Due to the immaterial amount of any additional property taxes receivable after the 60-day period, no additional accrual is made in the government-wide financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the District is subject to various state, and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

2.A. BUDGETARY BASIS OF ACCOUNTING

Budgetary procedures for the District have been established by Utah State. The basis of accounting applied to the budget is the same basis as the related financial statements.

Annual budgets are prepared and adopted in accordance with State law by the Board on or before December 31 for the following fiscal year beginning January 1. Budgets may be increased by resolution of the Board at any time during the year, provided a public hearing has been held regarding any proposed increase.

Under Utah Code, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in

WEST MILLARD MOSQUITO ABATEMENT DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

The District follows the requirements of the Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of the investments securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

Deposits

At December 31, 2005, the carrying amounts of the District's deposits and bank balances were \$227,495 and \$227,561, respectively. The bank balances of the District were insured for \$100,000, by the Federal Deposit Insurance Corporation. The bank balances in excess of \$100,000 were uninsured and uncollateralized, leaving \$127,561 exposed to custodial credit risk. All deposits were held by a qualified depository as defined by the State Money Management Act. The State of Utah does not require collateral on deposits.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be returned to the District. The District's policy for managing custodial credit risk is to adhere to the Act.

**WEST MILLARD MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Investments

As of June 30, 2005, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (Years)
		Less than One
Certificates of Deposit	\$ 320,321	\$ 320,321
Total	<u>\$ 320,321</u>	<u>\$ 320,321</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the Act as previously discussed. At June 30, 2005, the District had investments and quality ratings as follows.

Investment Type	Fair Value	Quality Rating	
		AAA	Unrated
Certificates of Deposit	\$ 320,321	-	\$ 320,321
Total	<u>\$ 320,321</u>	<u>-</u>	<u>\$ 320,321</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing this risk of

**WEST MILLARD MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

loss is to comply with the Rules of the Money Management Council. At June 30, 2005, there were no single issuer investments that exceeded 5%.

3.B. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance at January 1, 2005	Additions	Disposals	Balance at December 31, 2005
Governmental Activities:				
Buildings and Improvement	\$ 98,626	\$ -	\$ -	\$ 98,626
Machinery and Equipment	278,754	-	-	278,754
Totals at historical cost	377,380	-	-	377,380
Less Accum. Depreciation				
Buildings and Improvement	(42,842)	(3,287)	-	(46,129)
Machinery and Equipment	(234,923)	(17,568)	-	(252,491)
Total Accum. Depreciaiton	(277,765)	(20,855)	-	(298,620)
Governmental Activities capital assets, net	<u>\$ 99,615</u>	<u>\$(20,855)</u>	<u>\$ -</u>	<u>\$ 78,760</u>

NOTE 4. OTHER NOTES

4.A. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The District has purchased a comprehensive general liability insurance policy for public entities and automobile liability insurance coverage. The District is subject to a minimal deductible for claims covered.

4.B. ECONOMIC DEPENDENCY

Approximately eighty percent of the assessed property taxes of the District are assessed to a single taxpayer, the Intermountain Power Agency (IPA).

**WEST MILLARD MOSQUITO
ABATEMENT DISTRICT
INDEPENDENT AUDITORS' REPORT IN
ACCORDANCE WITH *GOVERNMENT*
AUDITING STANDARDS
STATE COMPLIANCE REPORT
MANAGEMENT LETTER
DECEMBER 31, 2005**

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GOVERNMENT AUDITING STANDARDS REPORT

Kedric M. Black, CPA

1341 South 1100 East • Spanish Fork, UT • 84660 • 796-1273 • Fax 796-1505

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

June 30, 2006

West Millard Mosquito Abatement District
2175 West 7000 North
Delta, UT 84624

I have audited accompanying financial statements of the governmental activities of West Millard Mosquito Abatement District (herein referred to as the "District"), as of and for the year ended December 31, 2005, and have issued my report thereon dated June 30, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the District in the following management letter dated June 30, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance that I have reported to management of the District, in the following management letter dated June 30, 2006.

This report is intended for the information of the District Board of Directors and various state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kedric M. Black CPA

Kedric M. Black, CPA

STATE COMPLIANCE REPORT

Kedric M. Black, CPA

1341 South 1100 East • Spanish Fork, UT • 84606 • 796-1026 • FAX 796-1005

INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

June 30, 2006

West Millard Mosquito Abatement District
2175 West 7000 North
Delta, UT 84624

I have audited the accompanying financial statements of the governmental activities of West Millard Mosquito Abatement District, for the year ended December 31, 2005 and have issued my report thereon dated June 30, 2006. My audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah's Legal Compliance Audit Guide, including the following:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Special Districts
- Other General Compliance Issues

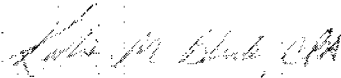
The District did not receive any major or nonmajor State grants during the year ended December 31, 2005.

The management of West Millard Mosquito Abatement District is responsible for the District's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the following management letter. I considered these instances of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, West Millard Mosquito Abatement District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.



Kedrie M. Black, CPA

MANAGEMENT LETTER

CURRENT YEAR FINDINGS

STATE COMPLIANCE ISSUES

FINDING

The ending general fund balance of the District exceeded the allowable amount under State Law by \$8,860.

RECOMMENDATION

It is recommended that the District review the current year budget and financial outlook for the year and make adjustments to ensure the District is in compliance by year end.

PRIOR YEAR FINDINGS

INTERNAL ACCOUNTING CONTROLS

FINDING

The District does not have a system of "independent checks" as would exist in a District with more accounting personnel. Because the size of the District does not justify a staff large enough to segregate duties, it is possible that errors may not be detected; and accordingly, the Board Members should closely review all financial documents and promptly investigate any unusual matters.

STATUS

The Board of Directors examines all financial records closely

**WEST MILLARD MOSQUITO
ABATEMENT DISTRICT
INDEPENDENT AUDITORS' REPORT IN
ACCORDANCE WITH *GOVERNMENT*
AUDITING STANDARDS
STATE COMPLIANCE REPORT
MANAGEMENT LETTER
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GOVERNMENT AUDITING STANDARDS REPORT

Kedric M. Black, CPA

1341 South 1100 East • Spanish Fork, UT • 84660 • 798-1276 • Fax 794-1505

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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This report is intended for the information of the District Board of Directors and various state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kedric M. Black, CPA

Kedric M. Black, CPA

STATE COMPLIANCE REPORT

Kedric M. Black, CPA

1341 South 1100 East • Salt Lake City, UT • 84600 • 788 1226 • Fax /94-1505

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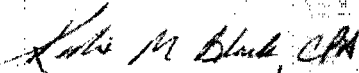
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The results of my audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the following management letter. I considered these instances of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, West Millard Mosquito Abatement District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

A handwritten signature in cursive script, reading "Kedric M. Black, CPA".

Kedric M. Black, CPA

MANAGEMENT LETTER

CURRENT YEAR FINDINGS

STATE COMPLIANCE ISSUES

FINDING

The ending general fund balance of the District exceeded the allowable amount under State Law by \$8,860.

RECOMMENDATION

It is recommended that the District review the current year budget and financial outlook for the year and make adjustments to ensure the District is in compliance by year end.

CLIENT RESPONSE

The expenses of the District have increased for the current year due to an increase in the mosquito population and an increased effort in controlling the West Nile Virus. With the increase in expenses and no compensating change in revenues the fund balance at year end is expected to be below the allowable amount.

PRIOR YEAR FINDINGS

INTERNAL ACCOUNTING CONTROLS

FINDING

The District does not have a system of "independent checks" as would exist in a District with more accounting personnel. Because the size of the District does not justify a staff large enough to segregate duties, it is possible that errors may not be detected; and accordingly, the Board Members should closely review all financial documents and promptly investigate any unusual matters.

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